financial institutions and that those laws or regulations are implemented effectively. Some recommendations aim at strengthening international cooperation and provide rules for administrative as well as for other forms of cooperation, such as the basis and means for cooperation in confiscation, mutual assistance and extradition.

32. In 2001-2002, FATF will continue an in-depth review of the Forty Recommendations for combating money-laundering. Upon completion of the review, FATF will undertake a third round of mutual evaluations of its members' anti-money-laundering systems against the revised Recommendations.

Organization of American States (OAS)

33. In 1996, OAS adopted the Inter-American Convention against Corruption (see E/1996/99). This broad Convention covers, among other issues, corruption of domestic public officials, bribery of foreign public officials in connection with economic or commercial transactions, mutual legal assistance and illicit enrichment. The report of the Secretary-General (E/CN.15/2001/3) has referred to the OAS Convention as "the most detailed on the prevention of corruption".

34. On mutual legal assistance, the OAS Convention provides that States parties, in accordance with their domestic laws and applicable treaties, shall afford one another the widest measure of mutual assistance and the widest measure of mutual technical cooperation on the most effective ways and means of preventing, detecting, investigating and punishing acts of corruption (article XIII, paras. 1 and 2).

35. OAS is currently considering aspects related to the establishment of a regional monitoring mechanism to implement the different elements of the Convention.

Council of Europe

36. The Committee of Ministers of the Council of Europe agreed in 1997[11] to adopt the Twenty Guiding Principles for the Fight against Corruption. The Principles, which member States are called upon to implement in their efforts against corruption, contain guidance at both the national and international levels. They include elements such as (a) raising public awareness and promoting ethical behaviour; (b) ensuring coordinated criminalization of national and international corruption; (c) guaranteeing the appropriate independence and autonomy of those in charge of the prevention, investigation, prosecution and adjudication of corruption offences; (d) taking appropriate measures for the seizure and deprivation of the proceeds of corruption offences as well as for preventing legal persons from being used to shield corruption offences; and (e) limiting immunity from investigation, prosecution or adjudication of corruption offences to the degree necessary in a democratic society.

37. In addition, the Committee of Ministers agreed on other measures such as (a) promoting the specialization of persons or bodies in charge of fighting corruption and providing them with appropriate means and training to perform their tasks; (b) denying tax deductibility for bribes or other expenses linked to corruption offences; (c) adopting codes of conduct both for public officials and for elected representatives; (d) promoting transparency within the public administration, in particular through the adoption of auditing procedures appropriate to the activities of public administration and the public sector as well as of appropriately transparent procedures for public procurement; (e) guaranteeing that the media have freedom to receive and impart information on corruption matters; (f) ensuring that civil law takes into account the need to fight corruption and in particular provides for effective remedies for those whose rights and interests are affected by corruption; and (g) ensuring that in every aspect of the fight against corruption, the possible connections with organized crime and money-laundering are taken into account.

38. On 11 May 2000, the Committee of Ministers of the Council of Europe adopted a recommendation (Recommendation No. R (2000) 10) on codes of conduct for public officials, which includes, in the appendix, the model code of conduct for public officials. The Committee of Ministers recommended that the member States promote, subject to national law and the principles of public administration, the adoption of national codes of conduct for public officials based on the model code of conduct for public officials contained in the appendix to the Recommendation.

Organization of African Unity (OAU)

39. The OAU Summit on 11 July 2001 adopted A New African Initiative: Merger of the Millennium Partnership for the African Recovery Programme (MAP) and Omega Plan. Two parts of this Initiative directly address issues related to financial management and corruption. These institutional reforms will include effective measures to combat corruption and embezzlement and to implement judicial reform. MAP and the Omega Plan agreed to create a Task Team from Ministries of Finance and Central Banks (para. 54.2) to review economic and corporate governance practices in the various countries and regions, and make recommendations on appropriate standards and codes of good practice for consideration by the Heads of State Implementation Committee.

40. The African leaders also articulated their view of some of the responsibilities and obligations of the developed countries and multilateral institutions. One element of these obligations is that these countries and institutions should set up coordinated mechanisms to combat corruption effectively, as well as commit themselves to the return of monies (proceeds) of such practices to Africa.

International Monetary Fund (IMF)

41. The Executive Board of the International Monetary Fund (IMF) discussed (13 April 2001) how the Fund could enhance its contributions to the global efforts against money-laundering. In preparation for that discussion, staff papers on financial system abuse, and financial crime and a background paper on money-laundering,[12] and a joint Fund/Bank workshop on financial abuse[13] were prepared.

42. The IMF Executive Board agreed that money-laundering is a problem of global concern, which affects major financial markets as well as smaller ones, and that to address it, international cooperation should be stepped up. The Directors also agreed that the Fund has an important role to play in protecting the integrity of the international financial system, inter alia, through efforts to combat money-laundering, and recognized that more vigorous national and international efforts to counter money-laundering are needed. These efforts should encompass the promotion of sound financial systems and good governance, the design and implementation of judicial and legal reform and other related capacity-building programmes, and effective law enforcement. It was also pointed out that financial regulation and supervision, based on internationally recognized standards, play an important role in preventing financial abuse, including money-laundering.

43. The IMF Executive Board considered that intensifying the focus on anti-money-laundering elements in supervisory principles will help ensure that financial institutions have in place the management and risk control systems needed to deter financial abuse. It noted that financial sector supervisory principles already assessed under the Financial Sector Assessment Program (FSAP) include elements that are relevant to money-laundering and endorsed the proposal to develop a methodology that would enhance the assessment of financial standards relevant for countering money-laundering and that could be used for preparing reports in each FSAP on observance of all relevant principles. It was noted that the recently approved expansion of the FSAP and the ongoing offshore financial centre (OFC) assessments would allow an increasing number of members to benefit from the Fund's work on strengthening financial systems and countering money-laundering.

44. IMF Directors stressed that money-laundering issues should continue to be addressed in Fund surveillance when they have macroeconomic effects, including effects arising from financial instability and reputational damage. Some considered that the cross-border implications of money-laundering should be raised during Article IV consultations when they had significant externalities for other countries, even if they were not macroeconomically relevant for the member concerned. In this context, the Directors agreed that more research into the magnitude and the economic consequences of financial abuse, including money-laundering, should be encouraged. The IMF Executive Board called on all Governments, especially those with responsibilities for major financial markets, to put in place the necessary measures to counter money-laundering. It endorsed the staff's proposals for increased cooperation with FATF and regional anti-money-laundering task forces, including those relating to the exchange of information with these groupings.

Basel Committee on Banking Supervision

45. Only a relatively small part of the work of the Basel Committee on Banking Supervision is related to the issue of corruption. However, from the perspective of sound risk management, the Committee has issued guidance on money-laundering and "know-your-customer" practices for banks. That guidance seeks to prevent the laundering of illicit moneys, including those derived from corruption, through the financial system.

46. The Committee's guidance is contained in three documents. "Prevention of criminal use of the banking system for the purpose of money-laundering" (1988) outlines the basic ethical principles and encourages banks to put in place effective procedures to identify customers, refuse suspicious transactions and cooperate with law enforcement agencies. The 1997 "Core principles for effective banking supervision" state that banks should have adequate policies, practices and procedures in place, including strict know-your-customer rules. Specifically, supervisors should encourage the adoption of the relevant recommendations of FATF related to customer identification and record-keeping, increased diligence by financial institutions in detecting and reporting suspicious transactions and measures to deal with countries with inadequate anti-money-laundering measures. The 1999 "Core principles methodology" elaborates upon the 1997 "Core principles" by listing a number of essential and additional criteria. In January 2001, a "consultative paper" was issued setting out guidance for banks and banking supervisors on customer due diligence to help guard against financial system abuses (including money-laundering). It can be seen at http://www.bis.org.

Southern African Development Community

47. The heads of State and Government of the member States of the Southern African Development Community (SADC) have proposed an SADC protocol against corruption.[14] The three policy goals of the protocol are, inter alia:

(a) To promote and strengthen the development, by each of the States parties, of mechanisms needed to prevent, detect, punish and eradicate corruption in the public and private sectors;

(b) To promote, facilitate, and regulate cooperation among the States parties to ensure the effectiveness of (national) measures and actions (against corruption);

(c) To foster the development and harmonization of policies and domestic legislation of the States parties relating to the prevention, detection, punishment and eradication of corruption in the public and private sectors.

Global Coalition for Africa

48. On 23 February 1999, representatives of a number of African countries met in Washington, D.C., under the auspices of the Global Coalition for Africa and co-sponsored by the Government of the United States of America, to discuss collaborative frameworks to address corruption. After discussion, the African participants, representing 11 countries (Benin, Botswana, Ethiopia, Ghana, Malawi, Mali, Mozambique, Senegal, South Africa, Uganda and the United Republic of Tanzania), agreed on 25 principles to combat corruption.

49. The introductory principles provide that Governments should demonstrate the leadership and political will to combat and eradicate corruption in all sectors of government and society by improving governance and economic management, by striving to create a climate that promotes transparency, accountability and integrity in public[15] as well as private endeavours and by restoring popular confidence in the government. Governments should also establish budgetary and financial transparency and strong financial management systems. Governments are also called upon to enact and enforce criminal laws that will deal effectively with corruption offences by imposing severe penalties on individuals convicted of corruption or corrupt practices and on business entities found to be involved in such practices. The Governments are also called upon to enact and enforce criminal and civil laws that provide for the recovery, seizure, forfeiture or confiscation of property and other assets acquired through corruption, and provide enhanced mutual assistance to Member States.[16]

50. The principles also advocate the control of corruption in the private sector by stating that

companies and organizations should be required to maintain adequate and accurate financial books and records and to adhere to internationally accepted standards of accounting. Self-regulating codes of conduct for different professions, including those in the private sector, should be established and enforced. The principles recommend that Governments promote standards for corporate governance and the protection of shareholder rights, and prohibit individuals found guilty of corruption from bidding on public contracts or otherwise doing business with Governments.

51. The principles support both the involvement and participation of civil society, on a continuous basis, in the formulation, execution and monitoring of anti-corruption reform programmes and the public's right to information about corruption and corrupt activities through protection of the freedom of the press and effective parliamentary oversight and scrutiny. Finally, it was recommended to establish government-to-government mechanisms to monitor implementation of the principles, including a mutual reporting and evaluation process.

Group of Eight

52. At the Genoa G-8 summit meeting (July 2001), the Heads of State and Government of these countries stated their agreement as follows: "Open, democratic and accountable systems of governance, based on respect for human rights and the rule of law, are preconditions for sustainable development and robust growth. Thus, we shall help developing countries promote: (a) accountability and transparency in the public sector; (b) legal frameworks and corporate governance regimes to fight corruption; (c) safeguards against the misappropriation of public funds and their diversion into non-productive uses; (d) access to legal systems for all citizens, independence of the judiciary, and legal provisions enabling private sector activity; (e) active involvement of civil society and non governmental organizations (NGOs); and (f) freedom of economic activities. We, for our part, will (a) implement fully the OECD Bribery Convention; (b) support efforts in the United Nations to pursue an effective instrument against corruption; and (c) encourage multilateral development banks (MDBs) to help recipient countries strengthen public expenditure and budget management."[17]

Global Forum on Fighting Corruption and Safeguarding Integrity

53. The second Global Forum on Fighting Corruption and Safeguarding Integrity was held from 28 to 31 May 2001 in The Hague, the Netherlands. The purpose of the Forum was to strengthen efforts to combat corruption and secure public integrity among government officials, in particular justice and security officials.[18]

54. The Forum recommended, inter alia, that Governments should adopt, widely publicize and enforce legislation and procedures that provide the public and the media in the best possible way an optimum degree of access to information relevant to fighting corruption. The media, civil society and the private sector are indispensable partners for government in this endeavour. The Forum felt that it is evident that national parliaments and local administrations have an important role to play in ensuring high standards of integrity. Financing election activities and political parties should be transparent so as to prevent corruption.

55. In the Forum's findings, government organization and procedures should be designed in a manner that reduces opportunities for corruption and creates incentives for public integrity. This could be stimulated through the establishment of a comprehensive public sector integrity policy that envisages the management of public services through a merit-based, professional and impartial civil service, with appropriate recruitment and retention systems and codes of conduct governing ethical behaviour. Further measures that effectively promote integrity and prevent corruption among public officials can be strategically selected from a broad array of integrity practices. Parallel to the foregoing, the adoption of a private sector integrity policy is necessary. This policy should envisage, in particular, effective measures that discourage the misuse of legal persons for purposes of corruption and related offences. In this respect, participants considered appropriate the further exploration of the ability of Governments to exclude legal persons convicted of corruption offences from entitlement to public benefits or aid, and the ability to identify persons convicted of corruption offences and disqualify them from acting as directors of legal persons.

Notes

[1] See *Corruption and Integrity Improvement Initiatives in Developing Countries* (United Nations publication, Sales No. E.98.III.B.18).

[2] General Assembly resolution 55/25, annex I.

[3] Existing international legal instruments, recommendations and other documents addressing corruption: report of the Secretary-General (E/CN.15/2001/3 and Corr.1), 2 April 2001.

[4] For information on technical assistance in this area see *Anti-Corruption Tool Kit* (Global Programme Against Corruption, Centre for International Crime Prevention, Vienna, version 1, June 2001); *Public Service Ethics in Africa*, Vol. 1 (Department of Economic and Social Affairs of the United Nations Secretariat, Division for Public Economics and Public Administration, New York, 2001, ST/ESA/PAD/SER.E/23); and UNDP and World Bank programmes.

OECD also has an active programme of cooperation with non-OECD countries to help improve the rule of law, raise citizens' confidence in the fairness and impartiality of public administration and promote economic growth through transparent and competitive markets. The principal activities are (a) raising awareness of international anti-corruption efforts and developing a strategic knowledge about anti-corruption tools and (b) promoting regional anti-corruption mechanisms. These outreach activities are carried out in conjunction with different other international organizations as well as private sector, trade union and civil society associations.

[5] See *Tenth United Nations Congress on the Prevention of Crime and the Treatment of Offenders, Vienna, 10-17 April 2000: report prepared by the Secretariat* (United Nations publication, Sales No. E.00.IV.8), chap. I, resolution 1.

[6] Ibid., chap. VI, sect. A.

[7] The International Code of Conduct for Public Officials has been adopted as a tool to guide Member States in their efforts against corruption through a set of basic recommendations that national public officials should follow in the performance of their duties. The Code deals with the following aspects: (a) the general principles that should guide public officials in the performance of their duties (namely, loyalty, integrity, efficiency, effectiveness, fairness and impartiality); (b) conflict of interest and disqualification; (c) disclosure of personal assets by public officials, as well as, if possible, by their spouses and/or dependants; (d) acceptance of gifts or other favours; (e) the handling of confidential information; and (f) the political activity of public officials, which, according to the Code, shall not be such as to impair public confidence in the impartial performance of the functions and duties of the public official.

[8] The United Nations Declaration against Corruption and Bribery in International Commercial Transactions (General Assembly resolution 51/191, annex) includes a set of measures that each country could implement at the national level, in accordance with its own constitution, fundamental legal principles, national laws and procedures, to fight against corruption and bribery in international commercial transactions.

The Declaration addresses the bribery of foreign public officials. According to paragraph 3 of the Declaration:

3. Bribery may include, inter alia, the following elements:

"(a) The offer, promise or giving of any payment, gift or other advantage, directly or indirectly, by any private or public corporation, including a transnational corporation, or individual from a State to any public official or elected representative of another country as undue consideration for performing or refraining from the performance of that official's or representative's duties in connection with an international commercial transaction;

"(b) The soliciting, demanding, accepting or receiving, directly or indirectly, by any public official or elected representative of a State from any private or public corporation, including a transnational corporation, or individual from another country of any payment, gift or other advantage, as undue consideration for performing or refraining from the performance of that official's or representative's duties in connection with an international commercial transaction."

The Declaration contains different provisions aimed at combating the phenomenon, including the adoption or, where they already exist, enforcement of laws prohibiting bribery in international commercial transactions; and the criminalization of such bribery as well as the denial of tax deductibility of bribes paid by any private or public corporation or individual of a State to any public official or elected representative of another country.

In addition, Member States committed themselves to develop or maintain accounting standards and practices that improved the transparency of international commercial transactions; to develop or to encourage the development of business codes, standards or best practices that prohibited corruption, bribery and related illicit practices in international commercial transactions; to examine establishing illicit enrichment by public officials or

elected representatives as an offence; and to ensure that bank secrecy provisions did not impede or hinder criminal investigations or other legal proceedings relating to corruption, bribery or related illicit practices in international commercial transactions.

Finally, Member States committed themselves to cooperating and affording one another the greatest possible assistance in connection with criminal investigations and other legal proceedings brought in respect of corruption and bribery in international commercial transactions, including sharing of information and documents.

[9] The Recommendation on the Tax Deductibility of Bribes to Foreign Public Officials invites member countries that allow the deductibility of such bribes to re-examine the issue with a view to denying such deductibility.

[10] See *Official Records of the United Nations Conference for the Adoption of a Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, Vienna, 25 November-20 December 1988*, vol. I (United Nations publication, Sales No. E.94.XI.5).

[11] Resolution (97) 24 of 6 November 1997.

[12] IMF and World Bank, "Enhancing contributions to combating money laundering: policy paper", 26 April 2001 (http://www.imf.org/external/np/ml/2001/eng/042601.PDF).

[13] Financial abuse encompasses not only illegal activities that may harm financial systems, but also other activities that exploit the tax and regulatory frameworks with undesirable results. Financial crime can refer to any non-violent crime that generally results in financial loss. It includes not only financial fraud and tax evasion but also money-laundering which involves the processing of criminal proceeds to disguise their association with criminal activities.

[14] The Economic Community of West African States (ECOWAS) has also developed a protocol on the fight against corruption with a similar set of policy objectives. See A/AC.260/CRP.1.

[15] For example, in order to promote integrity of the public service, the principles call for (a) the elimination of conflicts of interest by adopting and enforcing effective national laws, guidelines, ethical regulations or codes of conduct for public officials, which include rules on conflict of interest and requirements for the regular disclosure of financial interests, assets, liabilities, gifts and other transactions; (b) undertaking necessary administrative reforms to restore the morale and integrity of the public service, for example, by ensuring merit-based recruitment and promotion policies and procedures and providing adequate benefits, including remuneration and pension schemes; (c) the promotion of transparency in procedures for public procurement and the sale or licensing of economic rights and interests by eliminating bureaucratic red tape, by providing for open and competitive bidding for government contracts, by prohibiting bribery and by adopting procedures for resolving challenges to the award of contracts or the sale or licensing of economic rights; and (d) the restoration and maintenance of the independence of the judiciary and ensuring adherence to high standards of integrity, honesty and commitment in the dispensation of justice through, among other things, adopting a judicial code of conduct.

[16] With regard to mutual legal assistance and extradition, the principles recommend that Governments adopt cooperative arrangements at the regional and/or subregional levels that provide for the mutual exchange of ideas, information, best practices, intelligence and experiences for the purpose of minimizing risks of cross-border corruption, including international business transactions. They should facilitate the cooperative investigation of cases involving corruption by rendering mutual legal assistance in obtaining evidence, documents, articles, records and witness statements.

[17] See G-8 final official notice available at http://www.genoa-g8.it/eng/attralita/primo_piano/primo_piano_13.html.

[18] Final Declaration, Global Forum on Fighting Corruption and Safeguarding Integrity II, The Hague, 28-31 May 2001 (reprinted in A/AC.260/CRP.2, 2 July 2001).

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